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EDITORIAL NOTE

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PROSPECTS OF THE TOBACCO TRADE

THE WORLD MARKET

The United Kingdom, France, Holland and Germany represented before the war the chief importers of tobacco. Therefore, the European hostilities were bound to affect seriously the leading tobacco exporting countries such as U.S.A., Dutch E. Indies, the Balkans, Brazil and others. In recent years about 1,300,000 metric tons, equivalent to 45% of world tobacco production (estimated at about 2,900,000 tons) have been grown in the Far Eastern countries, China, Japan and India. These countries, however, consume a large part of their production so that their total export amounted to only about 65,000 tons or 5% of their production.¹

¹Lately countries in the Far East have increased the production of flue cured tobacco so considerably that they may soon appear as serious competitors on the world market.

TABLE I

Country	Prod'n. 1936-38 av. in '000 metric tons	Share in total produc- tion %	Exports as % of produc- tion	Exports av. 1936-38 in '000 metric tons			
				Total	To U.K.	To Axis	Axis as % of total
U.S.A. ...	610	21.0	33.0	198	103	28	14.0
D.E. Indies ...	52 ¹	1.3	90.0	47	—	38	81.0
Greece ...	73	2.5	59.0	43	—	26	60.0
Turkey ...	54	1.9	57.0	31	—	14	45.0
Brazil... ..	91	3.1	31.0	28	—	18	64.0
Bulgaria ...	32	1.1	69.0	22	—	20	91.0
British India	560	19.4	3.0	18	10	—	—
Cuba ...	22	.8	45.0	10	0	2	20.0
S. Rhodesia	11	.4	82.0	9	8	—	—
China ...	640	22.0	0.6	4	—	1	25.0
Others ...	755	26.5	13.0	102	19	62	61.0
World Total	2900	100.0	18.0	512	140 ²	209	40.0

¹ Estate production of 37,000 tons plus native production estimated at 15,000 tons.

² The disposal of British tobacco imports in 1938 is shewn in Table 6.

Six countries accounted for 75% of world tobacco exports. U.S.A., which produces 21% of world tobacco crops exported 198,000 tons or 38% of world tobacco exports. It was followed by the Dutch East Indies and Greece with 47,000 and 43,000 tons respectively, while the British Empire's contribution to exports remained in the neighbourhood of 5—6%.

If we express exports as a percentage of production we find Greece, Bulgaria, S. Rhodesia and the Dutch East Indies with 60—90%, far above the world average of 18%, followed by Brazil, U.S.A., Cuba and Turkey with 30—60%.

Axis dominated territory absorbed about 210,000 tons or 40% of world tobacco exports, importing 10—20% of U.S.A. and Cuban, 45% of Turkish, 60—65% of Greek and Brazilian, and 80—90% of D.E. Indian and Bulgarian exports. By the embargo on tobacco imports imposed by Great Britain, the world's largest importer, a market for about another 100,000 tons will be lost so that world exports will decline by 310,000 tons per annum or 60%. Since world stocks had increased during the year before the British embargo by 160,000 tons, the surplus after the first year of war amounted to about one year's world exports.

Tobacco growers in U.S.A. will be seriously affected, since exports absorbed about one third to one half of total crops, 50% of

exports going to U.K. and 15% to Axis dominated territory. The situation has been aggravated by a bumper crop in 1939 estimated at 800,000 tons, i.e. 55,000 tons larger than the previous record in 1930. (As a result, the 1940 carry-over has been estimated at 635,000 tons.) Probably 200,000 out of U.S.A.'s 1,500,000 tobacco growers would have to abandon their production. A new cut in the acreage planted, in addition to the Federal control restrictions would bring certain ruin to them, unless far-reaching additional State help is forthcoming. As Lord Dulverton of the Imperial Tobacco Company pointed out, by Great Britain's abstaining from the American market for one year only, planting of tobacco in U.S.A. would shrink to such an extent that American future supplies would be endangered.

So far Great Britain has released some dollar exchange for tobacco imports from U.S.A., and the Commodity Credit Corporation in U.S.A. holds 80,000 tons, worth £7,000,000, at the disposal of British interests. Tobacco, to the value of \$50,000,000, has been included in the list of commodities to be delivered under the Lease and Lend Bill, and the British Tobacco Controller who travelled to U.S.A. in February, is said to have taken option on 90,000 tons, provided deliveries on a credit basis can be arranged. There is also a possibility that the Treasury will pay cash for part of the consignments. In view of the ever mounting surplus, the exportation of American tobacco seeds and plants has been prohibited. The Bill proposing this measure was first vetoed by President Roosevelt but it was re-introduced and allowed to become law without the President's signature. It remains to be seen to what extent the countries of the British Empire which used American seeds and plants will be affected by this measure.

Canada whose tobacco exports went almost exclusively to U.K. suffers, as a non-sterling country, under the British tobacco imports embargo which restricted imports from Canada to 3,600 tons for the 1940 crop. (1938 : 7,500 tons.) Thus tobacco exports will have dropped by about 50% and stocks averaging in previous years 33,000 tons will correspondingly increase. The task to alleviate the effects of the war on Canadian tobacco growers will not be an easy one ; it will fall to the Marketing Association which, before the war, controlled production and marketing to a large extent by organizing a close co-operation between buyers and the majority of producers.

Of South American countries Cuba in peace time sent cigars to Great Britain and has now to bear the results of the British embargo which caused exports to drop from 9,000,000 cigars valued at \$937,000 in 1939 to 31,000 in 1940.

British imports from tobacco producing Balkan countries were almost negligible. According to the Anglo-Turkish Agreement reached in January 1940, the service of certain Turkish loans was to

be paid in the form of goods, especially tobacco. This consignment was expected to reach Great Britain in January 1941. Usually, owing to the long period of natural fermentation, Turkish tobacco cannot be used for manufacture for 18 months after harvest. Unfortunately, there is no possibility of this country absorbing the Balkan Tobacco exports which exceed British yearly consumption. Large scale purchases, however, by the U.K. have become necessary in order to break the dependence of these countries on Germany for the marketing of their tobacco surpluses. Political and strategical needs, especially with regard to economically weak allied and neutral countries like Greece and Turkey, demand priority over considerations of a mainly commercial character. The problem of the tobacco surplus can be solved only in the framework of a larger scheme dealing with the important issue of raw material surpluses as a whole. As mentioned above it is much more the importance of Axis dominated countries than the import restrictions imposed by Great Britain which caused the dislocation on the tobacco world market.

THE POSITION IN GREAT BRITAIN

If we try to determine which countries supply the U.K. with tobacco we have to allow for the fact that the countries of consignment are often not identical with those of origin.

TABLE II
Tobacco—Imports to United Kingdom in 1938

	Country of origin in metric tons	Country of consign- ment in metric tons
Cuba	49	30
Dutch East Indies	280	12
Brazil	73	—
Greece	860	700
Turkey	250	192
Netherlands	6	430
Belgium	—	300

In addition to these quantities, U.K. imported in 1938 from :

	metric tons
U.S.A.	116,000
British India	15,000
Southern Rhodesia	8,500
Canada	7,500
Nyasaland	6,500
Total Imports from all countries of con- signment... ..	156,000

In the first year of war Great Britain has received :

31,500 metric tons from Empire Sterling Countries

3,600 metric tons from Canada

22,500 metric tons from U.S.A. purchased before the embargo

57,600 metric tons = 40% of normal imports, so that the import deficit amounts to about 82,000 tons.

14,000 metric tons destined for Axis occupied territory have been diverted to Great Britain. With a moisture content of 18—20% against the British limit of 11% this tobacco is, however, unsuited for the British home market. The bulk of these imports have been deposited in London warehouses, the rest stored in other ports.

Tobacco stocks in U.K. equalling, at the outbreak of war, a two and a half years supply are now sufficient for another year only, so that stocks seem to have been depleted considerably. The recent noticeable shortage of tobacco products was partly due to difficulties in transport and distribution, and to damage caused by air-raids whereby a fair amount of tobacco had been lost. In addition, many factories had been out of production for a time owing to unexploded bombs. The storage and manufacture of tobacco is, of course, connected with the great ports of London, Bristol and Liverpool, all of them objects of the heaviest air attacks.

The future trend of tobacco consumption is difficult to estimate. During the last war when prices had remained unchanged until the autumn of 1915, consumption was not adversely affected when prices reached a level twice that of pre-war days. When, however, in 1916, further increase in duty and price followed a decline in real wages, tobacco consumption fell. Although over the whole period 1914-18 consumption increased, the rate of increase compared with the period 1909-13 slowed down from 10½% to 7% for the 4-yr. period.

Cigarette smoking emerged from the last war as the predominant form of tobacco consumption. While cigarettes, before 1914 accounted for about one third of tobacco consumption, they represented in 1939 four fifths. 99% of the tobacco used are of Virginia type.

TABLE III
Tobacco Consumption in U.K.

	1911	1938
Population, 15 and over	28.2 million	36.9 million
Tobacco retained for home consumption	91.6 million lbs. (41,000 tons)	187.9 million lbs. (85,000 tons)
Tobacco consumed per head (15 and over)	3.2 lbs.	5.1 lbs.
Cigarette output million lbs.	1907 : 29.9 1924 :	92.1 1935 : 148.0
Cigarettes consumed per head (15 and over)	1.07 lbs.	4.0 lbs.

The resistance of the tobacco industry to the import of Balkan tobacco is largely due to the firm belief that a change in blend of cigarettes will lower consumption. But there are worse things for a war-economy than a smaller tobacco consumption. Secondly, the addition of small quantities of Greek and Turkish tobacco since last July passed almost unnoticed by consumers, and, last but not least, as a result of repeated increases in price, consumers have changed their smoking habits considerably by turning to cheaper brands of cigarettes or tobacco, or by substituting pipe smoking for cigarettes.

Consumption, after it had increased at the beginning of the present war, remained stationary after the first War Budget, but declined after the second War Budget by some 10%. It is not quite clear if the officially decreed 10% cut of releases from bond (compared with the previous year) was cause or effect of this shrinkage. At present consumption is still higher than before the outbreak of war. The new War Budget will probably bring further increases in tobacco duty as a test for the extremely low elasticity of demand in this market. Even if consumption of tobacco falls off temporarily, after an increase in price, it may, as past experience shows, soon reach again its former level if no other important changes take place at the same time. Up to the present the margin of revenue from tobacco duties whereby a further increase in the rate would not result in a corresponding increase of revenue seems not to have been reached yet, although the tax on tobacco, first imposed in the 17th century, has, since the last war quintupled and has become one of the most lucrative state revenues.¹

¹ Over 99% of tobacco revenue is collected at the unmanufactured stage.

TABLE IV
Basic duty^a on Tobacco (per lb.).

1914 : 3s. 8d.	1931 : 9s. 6d.
1918 : 8s. 2d.	1939 : 11s. 6d.
1927 : 8s. 10d.	1940 : 19s. 6d.
Net receipts in 1937-38 amounted to over £82 million.	
" " " 1938-39 amounted to about £85 million.	
" " " 1940-41 would reach about £150 million.	

² On unstripped leaf tobacco, containing not less than 10% moisture.

But, in estimating for 1940-41, we have to allow for the fact that an increase in tobacco duties as well as the embargo on imports from non-sterling countries will lead to a higher share of tobacco coming from Empire countries which enjoy a preferential rate of 2s. 0½d.

The British export trade which formed a considerable part of total sales will not be seriously affected by loss of markets because a negligible amount only went to countries under Axis domination. Lack of shipping space may, however, reduce the overseas trade.

TABLE V

British Exports of Tobacco in 1938						
Manufactured				Unmanufactured		
Empire Countries	£'000	...	3,500	Eire	£'000	... 160
Dutch East Indies	...	...	300	Australia	...	... 110
Thailand	...	...	300	Other British	...	... 190
Egypt	...	...	100	U.S.A.	...	... 200
Others	...	...	700	Others	...	... 120
			4,900			
= 18,000 metric tons				= 4,800 metric tons		
				780		

If we compare imports for 1938 with exports and home consumption, there remain still 48,000 tons to be accounted for. Of these about 13,000 tons had to be rejected during the process of manufacture as scrap tobacco on which, as it is of little commercial value, duty is repaid by the Customs authorities, and 35,000 tons were added to stocks so that we arrive at the following total balance for 1938 :

TABLE VI
U.K. Tobacco Trade 1938

						metric tons
<i>U.K. Imports</i>	...	...	...	...	...	156,000
Home consumption	...	...	...	...	...	85,000
Re-export unmanufactured	...	...	...	...	...	5,000
Export manufactured	...	...	...	...	...	18,000
Offal	...	...	...	...	...	13,000
Total consumption	...	...	...	...	...	121,000
Addition to stocks	...	...	...	...	...	35,000

The process of concentration which is now being organised, by order of the Government, in various industries as a war-time measure, had in the tobacco trade already taken place in peace time. In 1935, according to the Census of Production, 88% of total gross output was produced in 19 establishments (=16% of all establishments) with 32,800 employees, or 77% of total employed (28,000 females, 15,000 males.) The yearly average net output per employee amounts to £600—£660 rising in the nine most efficient establishments to £873.

Although the possible, i.e., rather stable future developments of the tobacco trade in this country may be gauged from the position as outlined above, there are so many influences to which this industry is exposed that an exact forecast is not possible. The man power and financial policy of the Government, restrictions on consumption, a significant change in the distribution of national income, air attacks, resources of shipping and foreign exchange, considerations of foreign policy, all and each of these factors may modify present expectations.

S. Moos.

A "HUMAN NEEDS" DIET IN WAR TIME

There are, at present, two fundamental problems of nutrition. First, is it still possible for families with a small income to purchase a properly balanced diet? Secondly, what must be considered the minimum outlay for a diet which could be passed as approximately sufficient?

In the first three weeks of March we collected prices of foodstuffs from the cheapest shops in Oxford and on this basis compiled a diet, the main nutritional values of which correspond as closely as possible to those considered necessary for a well balanced diet by the British Medical Association. The nutritional values of the diet suggested by us and those of the B.M.A. are given below:

TABLE I
Nutritional Values per Adult Male per Day
(gross)

	Calories	1st Class Protein	2nd Class Protein	Fat	Carbohydrates
Oxford : 1941	3312	49 gm.	56 gm.	91 gm.	532 gm.
B.M.A.	3400	50 "	50 "	100 "	500 "

The slightly lower calorific value of our diet schedule reflects the war-time shortage of fat foods, which has been compensated to some extent by an increased allowance of carbohydrates and second class protein. We have assumed that the purchases of our hypothetical diet are for a family consisting of husband, wife, and three children between 6 and 14 years. The 'Man' value of this family, measured by the scales used for our budget inquiries, would be 3.75. This is as near as we could get to the 'Man' value of the family of five persons for which Mr. B. Seebohm Rowntree has worked out a diet at low cost in autumn 1936.¹ The two diets are compared in detail in Table II.

It will be noticed that the diet compiled by us is very similar to that given by Mr. Seebohm Rowntree. We have, in fact, changed his diet only in so far as seemed necessary to adapt it to local habits and war-time conditions. Of some foods we allow considerably less than Mr. Seebohm Rowntree, even of those which might still be obtained by the families in quantities larger than tabulated by us. Thus, because of its high price, bacon has become a luxury, and we have only included, for flavouring, a quarter pound of it in our budget, as compared with 1½ pounds in 1936, although the full ration for the family would be 1¼ pounds. Apples were very scarce in March 1941; but even if more than a pound a week were obtainable, their high price sets the limit to the purchase; thus one pound of apples stands in our budget for four pounds in the budget

¹ *The Human Needs of Labour*, London, 1937. The 'Man' value of his sample family is 3.78.

TABLE II
Weekly Diet for a Family of Five Persons

	Oxford, March 1941		Autumn, 1936 (Mr. Seeböhm Rowntree)	
	Quantity	Price s. d.	Quantity	Price s. d.
<i>(A) Rationed Foods</i>				
Meat, mutton	4 lb.	2 10	2½ lb.	1 5½
beef	3 lb.	3 0	3½ lb.	2 4
liver	—	—	1 lb.	1 0
Bacon	¼ lb.	0 5	1½ lb.	1 4½
Margarine	30 oz.*	1 1	1½ lb.	0 7½
Cooking fat... ..	10 oz.	0 4½	—	—
Sugar	2½ lb.	0 10	2 lb.	0 4½
Jam	9 oz.	0 5	1 lb.	0 6
Tea	½ lb.	1 1	½ lb.	0 9
		10 0½		8 5
<i>(B) Main Carbohydrate Foods</i>				
Bread	20 lb.	3 4	20 lb.‡	3 6½
Flour	2½ lb.	0 4½	1¼ lb.	0 2
Oatmeal	2½ lb.	0 8½	2 lb.	0 6
Potatoes	34½ lb.	3 10	14 lb.	0 10½
		8 3½		5 1
<i>(C) Milk and Vegetables</i>				
Milk, whole	14 pts.	5 3	14 pts.†	3 9½
Ditto, school	5 pts.	0 7½	—	—
Vegetables	14 lb.	1 9	10½ lb.	0 9
		7 7½		4 6½
<i>(D) Other Food</i>				
Sausages	2½ lb.	1 6	1 lb.	0 6
Fish	1 lb.	1 0	2½ lb.	0 9½
Cheese	¼ lb.	0 3½	1 lb.	0 9
Eggs	one	0 2½	one	0 1
Peas	½ lb.	0 3	½ lb.	0 1½
Lentils	¼ lb.	0 4½	¼ lb.	0 3
Beans	½ lb.	0 3	—	—
Unrationed fats	¼ lb.	0 2½	1¼ lb.	0 7
Rice	10 oz.	0 4	10 oz.	0 1½
Semolina	¼ lb.	0 5	—	—
Barley	2 oz.	0 0½	2 oz.	0 0½
Cocoa	¼ lb.	0 3½	¼ lb.	0 2½
Apples	1 lb.	0 8	4 lb.	0 6
Condiments	—	0 3	—	0 3½
Treacle	—	—	1 lb.	0 3
Dates	—	—	½ lb.	0 1½
Sago	—	—	¼ lb.	0 0½
Extra veg. and fruit	—	—	—	0 9
		6 0½		5 4½
Total cost of diet	—	32 0	—	23 5

For references see next page

* Half of it 'special' margarine.

§ Mr. Seebohm Rowntree gives in his budget 16·8 lbs. of wholemeal flour at a total cost of 2s. 4½d., but allows an additional outlay up to 2s. if the bread is bought. We have given in our budget expenditure on white bread, and have replaced Mr. Seebohm Rowntree's figures by the identical purchases of white bread at 1936 prices.

† The original budget gives the equivalent of 14 pints of fresh milk in the form of tinned skimmed milk at a total cost of 2s. As in March 1941 tinned skimmed milk was unobtainable in Oxford, we have calculated for the 1936 budget as well as for the 1941 budget the outlay for fresh whole milk.

‡ Excluding yeast for baking bread.

of 1936. On the other hand, we allow an additional pint of milk per person per week, in the form of the children's school milk. For our diet to be made more appetizing some further expenditure on flavouring will be almost indispensable, to compensate for the shortage of jam, and the absence of treacle and dried fruit, and, to increase its dangerously low content of vitamin C, possibly also some more expenditure on fresh fruit, lettuce, watercress, etc. Its total cost would then rise to, say, 33s. To feed a person on the diet proposed by us would thus cost per week about 6s. 7½d., or 1s. 11d. more than an approximately equivalent diet (from a nutritional point of view) in 1936. That is, in spite of the partial substitution of cheap for more expensive foods—potatoes and legumes¹ for bacon, vegetables for fruit—the outlay in March 1941 would be about 41 per cent higher than in autumn 1936. The Ministry of Labour retail food index shows an increase of about 27 per cent over the same period. Of this, 20 per cent took place subsequently to September 1939. The additional increase in the budgets in Table II is due to the greater rise in price of the cheaper qualities of food.

It must, however, be borne in mind that the supply of foods is totally different now from what it was in 1936. We have, indeed, taken great care not to list any foods in quantities larger than could actually be obtained, or at prices which, although they might be charged in the cheapest shop at one end of the town, were far below those which a housewife had to pay at the other end. The prices on which we have based our food budget are not, in fact, the absolutely lowest ascertained by us, but the average prices in the least expensive shops in a given district at which a housewife could buy the weekly food for her family. A certain amount of substitution must be allowed for. For instance, in one locality she may be able to get salt fish, herrings, or kippers, which give her for a shilling more than a pound, while unable to obtain as much as 7 lbs. of meat for 5s. 10d. Or she may find that she can buy few or no sausages, but that there is a fairly good supply of cheap fish. Liver was practically absent from the shops, and hence has been omitted from our budget schedule, although, because of its contents of vitamins and minerals, it is a highly valuable food. The proportion of mutton to beef

¹ Dried peas, lentils, beans.

which can be bought will vary according to the supplies of meat to the local butchers. These factors are often quite beyond the housewife's control, and they may considerably affect the amount of nutritional values which can be purchased in the form of a particular kind of food for a given sum of money. If, moreover, most of the families with a small income actually wanted to buy inexpensive stewing meat only instead of taking the major part of their ration in the form of a joint, it would become even more difficult than is already proved to be to obtain the amount of nutritional values scheduled for meat. Unrationed fats were very scarce, and their prices varied in different parts of the town from 6d. to 1s. a pound, due, probably, to differences in quality. We have assumed an average price of 9d.

In Table III are shown the nutritional values per 'Man' per day which would be obtained from the several food groups of our diet schedule.

TABLE III

Nutritional Values of Rationed and other Foods from Low Cost Diet, 1941
(per 'Man' per day)

		Rationed Foods	Main Car- bohydrate	Milk	Vege- tables	Other Foods
Calories	...	854	1780	285	44	349
Protein	...	29½ gm.	45½ gm.	13½	.	16½ gm.

The main deficiencies of the diet are a shortage of vitamin C and probably also of iron and calcium. Its contents of the two minerals as well as of the vitamin B group can be considerably improved if brown bread is substituted for white bread. It was, however, affirmed in all districts that the families in question do not like brown bread, which, moreover, was sold everywhere at a price between ½d. and 1½d. per pound higher than that of white bread. The larger the proportion of leafy green vegetables in the total of vegetables consumed, the better will be the supply of iron from this group. The present shortage of fresh fruit makes very difficult the supply of vitamin C at moderate cost, unless the family were regularly to eat some raw turnip or swede, both of which are rich in vitamin C. As the vitamin is little heat resisting, it is easily destroyed in the process of cooking the vegetables, especially if alkalis are present.

Assuming then the consumption of brown instead of white bread and also of some foods rich in vitamins C we have here a diet which would supply for healthy adults and older children an adequately balanced nutrition at a cost of less than 7s. per head.¹ It is, as we have already pointed out, a diet which could actually be purchased in Oxford shops. The *average* housewife, however, will scarcely find herself in a position to supply it to her family. First, there are the

¹ The cost per 'Man' would be about 9s.

difficulties in obtaining the foods. This applies not only to the relatively large quantities of meat for the family's rations, but also to sausages and cheap fish. Both these foods are now scarce, and they have to be bought when they can be had. This needs considerable adaptability on the part of the housewife, and considerable skill in catering, as the housewife whom we are visualizing here has to manage on a small weekly allowance. It needs, moreover, a considerable amount of time to do the shopping. Secondly, the substantial quantities of carbohydrates and second class protein foods featured in our diet can only be eaten in the form of cooked meals. As far as could be ascertained there are very few housewives with a large family who regularly for one meal cook root vegetables or greens, potatoes, and legumes, and, in addition, a milk pudding, and who, on the same day, provide another complete meal, besides a cooked breakfast. This demands a cook of ability and imagination; and a good deal of thought and attention are necessary to do the large amount of cooking with a minimum consumption of fuel. It thus seems that if a standard diet similar to that pictured in Table II were to be made available to people it could only be done by supplying them with at least one communal meal a day.

The question may arise whether as a war-time emergency the diet could be further simplified or reduced and, if so, by how much without ill effects on people's health. This is obviously a problem for physiologists. Of some interest in this context is an analysis made in 1936 of the food intake of 109 women students of the College of Domestic Science in Glasgow.¹ Their average age was 21 years, their average height 162 cm., and their average weight 55·85 kg. Most of them were taking a fair amount of physical exercise, in addition to their work in College. They all were medically examined and found to be of good general health. For a period of days their normal and freely chosen intake of food was controlled and analysed. The main nutritional values of their daily intake, per person and per 'Man,' are shown in Table IV.

TABLE IV

Average Nutritional Values of the Food Intake of 109 Women Students (per day)

	Calories	Total Protein	1st class Protein	Fat
per person	2035	71·1 gm.	44·5 gm.	79·0 gm.
per 'Man'	2360	89·5 gm.	52·5 gm.	93·0 gm.

From the report it appears that the data refer to *net* values; but even so the calorific intake of these students seems strikingly low. Their intake of first class protein, however, was high. It may be that people living on a well balanced diet containing a sufficiency of proteins, vitamins, and minerals, need considerably less calorific food than is usually assumed. Analyses of family budgets seem to

¹ Discussed in E. P. Cathcart and A. M. T. Murray, *A Dietary Survey in Terms of the Actual Foodstuffs Consumed*. H.M.S.O., 1937.

indicate that when the standard of living of the lower income groups declines there is a tendency for a steep increase in the consumption of carbohydrate foods and, in consequence of this, for an increase in the calorific value of the food intake. This, probably, reflects in part the lower satiety value of a diet lacking in fat and in part the physiological craving for certain essential dietetic elements—protein, minerals, and vitamins—of which in many cheap foods very little is tied up in a great deal of starchy matter. It thus seems possible that if a diet supplying a sufficiency of these elements and of fat were adopted it might be found that actually less bread and flour, and, perhaps, also less of the other cereals is needed than the quantities given in Table II.

T. SCHULZ.

CONCENTRATION IN THE HOSIERY INDUSTRY

It is of some interest to estimate, from the rather scanty material available, the release of workers for armaments, etc., due to the concentration of reduced output in any particular industry. The method is not very accurate, involving, as it does, the formulation of a number of more or less chance estimates, but it gives an idea of the *order* of magnitude of the man power released. We take for an example Hosiery, since this industry has been one of the first to respond to the appeal of the President of the Board of Trade to evolve a scheme of concentration for itself. The first problem is to determine what cut in output is to be expected, say, in the next six months. We know the reduction in *value* of sales of hosiery goods of various classes for the *home civilian* trade from the Limitation of Supplies Orders. Thus, the *value* of output in the six months ended November 1939 is taken as standard. For the period June 6th—November 30th, 1940, the value of output was reduced to 66 $\frac{2}{3}$ % of the "standard." According to the *Financial Times* (November 4th, 1940), the effect of price rises was such that the figure of $\frac{2}{3}$ in value represented 45% of *volume* in the standard period. From December 1st onwards various percentages, mainly 25% or 50%, are applied to the standard value sales for different classes of hosiery. Using as weights the value of output¹ in each class in 1935 (taken from the Census of Production) we obtain an average fall in value to 45% of standard (as compared with 66 $\frac{2}{3}$ % in the previous period), which, assuming no substantial increase in prices in the last six months, is equivalent to a cut in the volume of *home civilian* production to 30% of that in the standard period.

We must, however, take into account also Government orders and exports. It is not unreasonable to assume that the former do

¹ We assume that sales and output can be taken as equivalent, i.e., we neglect changes in stocks of wholesalers or manufacturers.

not constitute more than 20% of normal *home* output, bringing total *home* output up to 50% of the standard. In 1935 exports of the main hosiery items were 6—7% of total production. The value of exports of Apparel and of Other Textile Materials, in which categories hosiery must come, have recently fallen (November—December, 1940) by 50% below the figures for the year before. Thus, an estimate for the reduction of the volume of total output to 50% of the standard period is not unreasonable.¹ We now turn to the labour aspect.

In July 1939, the numbers of insured workers attached to the hosiery trade (whether employed or unemployed) were 28,000 males and 93,000 females. During the period June—November 1939, the unemployment percentages averaged 4% for men and 6% for women. The 'standard' volume was therefore produced by about 27,000 men and 87,000 women.

To obtain 50% of 'standard' output, 13,000 men and 43,000 women are required, or, if we assume no difference in skill between the sexes, 56,000 workers. This assumes that there is no increase in efficiency due to concentration. There should of course be some, but the only measure for efficiency is the value of net output per head given in the Census of Production. Apart from firms employing over 750 workers—they produce about 20% of total output—which have a net value per head about 10% above the others, all the other groups have approximately the same output per head.

Now the latest figure for unemployment was given in August 1940, showing 3% among the men and 10% among the women. Many men must have been called up, and some women have already departed to munitions. If we assume half of all men insured in the trade in 1939 called up or unemployed, and 20% of women left the industry or unemployed we get a present labour force of 14,000 men and 75,000 women, i.e. a total of 89,000 workers. Hence a release of over 30,000 workers should be an absolute minimum. If workers insured in hosiery, but at present unemployed, are included the figure rises to 40,000.

This estimate of 30—40,000 corresponds closely with that quoted in hosiery circles,¹ and the agreement suggests that the above method of calculation may be applied to other industries scheduled for concentration, in order to obtain rough estimates for the possible release of workers for war work.

G. D. N. WORSWICK.

¹ This figure applies until May 1941. A change in the limitation of supplies 'quota' for the home civilian trade would, of course, affect it.

² *Manchester Guardian*, March 13th, 1941. The figure of 30—40,000 was given for 'employees,' without specifying the sex of the workers. This report also states that, of 1,500 factories in England and Scotland, 800 will be closed, of which 600 employ less than 20 operatives. The total number of establishments given in the Census for 1935 is 1,300; the difference is partly to be accounted for by expansion of the industry in the intervening years, and partly by the fact that 'hosiery' is not clearly defined in the press report and may include certain goods not covered by the Census. Insofar as this second reason is operative, our estimate for the release of workers is too low.

THE ROLE OF COMPENSATION IN THE
WAR-ECONOMIC SYSTEM

1. In an economic system in which production is carried on at the risk of individual entrepreneurs, income distribution including loss of income assures the adaptation of production to changes in demand. Any serious interference with this mechanism, i.e., with the positive and negative incentives through which equilibrium is secured, must retard the process of adaptation if an alternative mechanism is not set up. Compensation payments would in many instances constitute such interference. The war necessitates a complete change in the task of the productive system. This change-over is supposed, in an individualist economy, to be induced and accompanied by a rapid rise in profits and wages in the war-sector and corresponding bankruptcy and unemployment in the 'non-essential' sector.

2. Both from the point of view of sheer technical efficiency and from a social and political point of view, such a course is impracticable. It will in practice be impossible to contract private demand *pari passu* with the expansion of Government demand. The positive incentives which are supposed to cause a shift in production are thereby weakened as they work on the basis of *relative* profitability.¹ The increase in uninsurable risks has reduced the sensitiveness of the reaction of entrepreneurs. If speculation was permitted it would result in withholding supplies in the war-sector and add to the spendable incomes of private people. The 'negative incentives' for transfer of productive resources work equally badly as they are paralysed through the inevitably inflationary policy of the Government. The fact that people have capital reserves has two adverse effects in this respect. Firstly, it enables them to maintain their consumption irrespective of taxation on *income* and irrespective of their contribution to the war effort. This frustrates endeavours to restrict consumption to a minimum. It also reduces the supply of manpower. Secondly, even if demand falls firms intent on eventual survival will not close down, and they thus do not release the maximum volume of productive factors. They will try to maintain operations even at a loss on the basis of their capital reserves. In point of fact the inflationary background will probably permit them to charge prices at which profits will accrue in spite of the increased cost per unit.

3. An equally important argument against the maintenance of the individualist income distribution as the mechanism directing production and consumption is its influence on morale. As long as changes in demand are relatively small and slow, the hardships

¹ If taxation could be raised sufficiently to preserve monetary equilibrium then the 'positive stimulus' of profits would be accordingly reduced.

caused might be tolerated on the plea of the efficiency of the system. But that plea cannot be sustained in war-time. The hardship caused would be quite exceptionally heavy. With increasing wealth the 'non-essential' sector in a community which can in an emergency be mobilized for war, expands. Moreover it is in this sector that many of the small entrepreneurs and traders, who do not possess considerable reserves to weather the emergency, have in fact survived. No system which, in order to obtain a temporary redirection of the industrial effort, would inflict extreme and permanent injury on these people could be tolerated from the point of view of equity and thus of morale.¹

These considerations show that an efficient organization of the economic system for prosecuting the war can only be achieved by direct planning and controls. This conscious action must take the place of the indirect regulation of production by the inter-play of demand and supply on the profit incentive.

4. Ideally speaking direct allocation of productive factors and material both in the sphere of civilian consumption and of arms production should be substituted for 'economic incentives' as the regulator of economic activity. This would theoretically enable a complete separation between the physical and monetary aspect of economics.

Once this is done the main argument against compensation for losses incidental to the war disappears. Compensation would then not retard the readjustment in the productive structure necessitated by the war. Indeed it would be one of the methods by which the irksomeness of compulsion could be mitigated and the voluntary co-operation of all concerned would be obtained. The normal economic incentive mechanism need and should even then not be wholly abandoned. It would be inappropriate in the extreme that direct planning should be accompanied by policies which would impede its working, cause grievances or kill all incentive implicit in some link between effort and remuneration. Compensation for losses caused by the war must therefore be conceived as part of the remuneration of the productive factors willing to co-operate in the war effort and must be made dependent on such co-operation.

6. A successful solution of the war economic problem entails an isolation of the money sphere from the planning of the 'real' sphere. Having done so, specific policies can be pursued in each field. The organization of physical planning has been discussed in these pages on various occasions and need not be referred to again. In the financial sphere, policy, I think, should attempt so to regulate money incomes (either by a direct fixing of wages, salaries, etc., or

¹ Quite apart from the fact that it could not ensure a proper distribution of losses caused by enemy action i.e., uninsurable risks, losses which have nothing to do with the reorganization of production and whose equitable distribution would consequently not impair the war effort.

by suitable compensation payments, including family allowances) as to enable people (*a*) to purchase their allotted real rations, (*b*) to maintain their financial obligations incurred prior to the outbreak of the war and thus avoid encroaching upon *current* productive effort, (*c*) to accumulate money capital reserves for lost or damaged goodwill or assets, to be used, after the war, according to a reconstruction plan assuring a stable economic development, (*d*) to maintain their relative—money—income and capital position subject only to *general* tax measures and qualified by (*e*) permitting them some—anticipated—satisfaction of additional money earnings for any extra effort or sacrifice they are asked to bear.

This policy aims at establishing a fixed pre-taxation status for everyone willing to co-operate in the war effort.¹ No one would in general, be worse off than before the war, in terms of his money obligations. He might be better off (on terms of money) if he contributes more to the war effort than before. Any change desired in relative pre-war incomes could then be brought about by a deliberate taxation of incomes or of property.

A policy fulfilling these aims would ensure (*a*) the principle of equity and (*b*) the willing co-operation of people free from the haunting fear of economic annihilation.² It would eliminate any resistance to transfer of resources. And it could be so organized as to facilitate the solution of the administrative problem of ensuring the maximum technical efficiency in the war effort.

7. The damages and losses can be divided into those caused (1) by enemy action and (2) those caused by Government measures mobilizing productive factors. In each category there will be two sub-divisions: (*a*) losses of or damages to earning power and goodwill and (*b*) those to property (either used by the owner or yielding an

¹ A maximum limit will have to be fixed in practice.

² As long as complete direct control over consumption, and even more over production, has not been established it is important to differentiate between compensation payments:

(*a*) in cases where it does not interfere with the incentive mechanism. In these cases—and all damage to houses inhabited by the owner, and destruction of earning capacity due to enemy action belong in this category—compensation could be paid even now.

(*b*) where it infringes upon the incentive mechanism but where compulsion has been instituted to act as an efficient substitute. There is no objection to paying compensation (i.e., soldiers' dependants; cut in non-essential supplies; commandeering of property, etc.).

(*c*) where it interferes with the incentive mechanism but no compulsion has as yet been instituted (e.g., the transfer of labour except in certain instances; and, up till recently, the task of closing down factories instead of running them short time). In these cases compensation or relief must not be so high as to weaken the effort of the individual to reintegrate himself into the war-sector. I venture to suggest however that this part-solution is both wasteful and harmful on morale. As long moreover as there is no rationing of consumption goods no free capital compensation can be granted and the income compensation will also be hampered by the fear of causing inflation.

income). From an administrative point of view there is a further important but rather different distinction between (i) property and goodwill which plays a part in the productive process and (ii) property which (such as houses) is used for, or yields income by, consumption.

LOSS OR DAMAGE TO PERSONAL EARNING POWER

In general I suggest that in case of loss or damage to personal earning power, the system adopted in the case of Civil Servants and University Teachers as well as some other groups should be extended and incomes should either by direct State payment or by appropriate general wage and salary regulation be brought up to pre-war level, subject possibly to a minimum so as to enable the poorest to obtain his rations (this might be done preferably by an appropriate fixing of minimum wages and grant of family allowances) and in practice also to a (generous) maximum.

LOSS TO PROPERTY AND GOODWILL

In case of damage to or loss of goodwill or assets the procedure ought to depend on whether the damage occurred to 'consumption' assets or to 'productive' assets.¹ In the former case *blocked credits* or *blocked bonds* (to be freed after the war) yielding a *free income* sufficient to replace the use of the lost asset (or its yield) would seem the appropriate form of compensation. The blocked capital grant should, however, be usable immediately for specified purposes, such as debt repayment.

The solution of the problem of compensation for damage to 'productive' goodwill or assets is bound up with the problem of efficient war-economic organization. The appropriate unit of war-economic organization are not single firms but industries (including distributive trades) as a whole. Once this principle is adopted both in the war and in the non-essential sector, the solution of the administrative problem of compensation is comparatively easy. The formation of war-time operating-holding companies which lease the plant etc. of the constituent firms against some kind of participation in the surplus (including state subsidies, etc.) of the new company enables such payments to be made to the participating firms as would give them the desired level of income on a uniform basis. This procedure would incidentally secure a thorough and flexible rationalization of production which will not be achieved by private pooling arrangements as contemplated at present.

8. The arguments against such general solution of the problem of bearing losses and damage due to the war are firstly financial, secondly administrative. The financial arguments, 'we cannot

¹ In certain cases the compensation—even in war—will take the form of physical replacement. These cases will presumably be exceptional.

afford it' or 'it would cause inflation,' have been criticised as fallacious on several occasions in this BULLETIN. In a properly organized war economic system there is no problem of finance or inflation. The problem of national debt ought to be easily tackled.

The second line of argument bases itself on the 'lack of suitable administrative man-power.' The critics of compensation and control schemes would be in a stronger position if the various Ministries had tried to make full use of the valuable administrative skill which is (or should be¹) made unemployed by their policy of concentration and centralization.

It is not claimed that the solution outlined is easy to administer or that it solves all problems. But it has the merit of establishing a fair distribution of sacrifice, of providing a mechanism for an efficient use of productive factors and last but not least of avoiding prejudice to the methods of reconstruction.

T. BALOGH.

NOTES ON GENERAL RATIONING

I. THE PROBLEM OF COUPON DISTRIBUTION

In presenting the rationing scheme for retail expenditure I gave two alternatives of distribution of spending coupons : (i) Coupons are distributed at a flat rate of, say, 25s. per week for an adult and 15s. for a child under 14. (ii) Apart from the *absolute* maximum of expenditure of, say, 25s. per week, a maximum *percentage* of income to be spent in shops is fixed at a level equal approximately to the upper limit of the actual percentage spent in shops by the poorer population, say 80%.

The first alternative has the disadvantage of creating a situation in which the poor, being unable to use all their coupons, are likely to sell a part of them to the rich. The second alternative complicates to a great extent the administration of the scheme and does not make any attempt to use its introduction as an opportunity to increase the consumption of the poorest population. The following seems to me a satisfactory solution of these difficulties.

The Government distributes the spending coupons at the flat rate, but at the same time declares that it is prepared to buy back unused coupons at the values to which they relate. As a result anyone who is unable to use a certain amount of his coupons because his income is too small, will be able to sell *half* of the unused coupons to the Government and, with the proceeds, make use of the other half for purchases.² This arrangement has the following advantages:

¹ Especially in the food and distributive trades the system of spread over is still rampant.

² He will be able, of course, to adopt another policy : he may e.g. sell more than a half of the unused coupons and increase his expenditure on services.

(1) The transfer of coupons from the poorer to the richer population is prevented. For a poor man, being able to sell his coupons to the Government on the above terms, is likely to prefer to do this, rather than sell them illegally, even if the price offered were higher. On the other hand, the rich will be discouraged from buying coupons illegally because they will have to pay for the coupons more than their face value, and thus pay for the purchase of any particular good more than *twice* its price.

(2) Under the system allowances are granted automatically to the lower income groups.

(3) All this is done without any administrative machinery, such as census of incomes, etc.

It is true that this scheme implies some increase in Government expenditure, but after allowing for this increase, the curtailment of total expenditure in shops is still greater than it would be if all people used all their coupons. I calculated that with a maximum expenditure in shops of 25s. per week per adult person (and 15s. per child) the reduction of expenditure in shops would amount to £500 million per annum if all people were to use their coupons fully. If the lower incomes were to receive coupons at the rate of their present spending the reduction of purchases in shops would be greater by a certain amount. With the above arrangement it would be greater by half this amount.

2. RATIONING OF FOOD EXPENDITURE

The rationing of total retail spending does not fully solve the food problem as such. A person whose total expenditure in shops is limited to 25s. per week may spend nearly all of it on food (if, for instance, he or she possesses a great stock of durable and semi-durable consumption goods). As a result the curtailment of food consumption may be disproportionately low and the depletion of food stocks and the rise in food prices may go on. It is therefore necessary not only to retain the specific rationing of foodstuffs besides the general rationing of retail spending, but it is also important to introduce food and non-food coupons.¹ There arises then the problem of the level of the 'food expenditure ration.'

We may take as a starting point the present deficiency in food imports as compared with food consumption. This I estimated to be of the order of £200 million in the following way:² I compared the level of food imports and consumption at the beginning of the year with that in the first half of 1940 and came to the conclusion that while consumption was in 'real terms' about the same in both periods, the 'real value' of imports suffered a fall of the order of

¹ 'General Rationing,' BULLETIN, Vol. 3, No. 1.

² BULLETIN, Vol. 3, No. 4, p. 65.

£200 million.¹ On the assumption that there is no considerable increase in the total home production of food, stocks of foodstuffs must correspondingly fall.² This development may be stopped by curtailing the total expenditure on food. Since the deficiency of food imports of £200 million recalculated at retail prices would give a value of over £250 million, it is this amount, approximately, by which food expenditure should be cut (if the above estimate is correct) to keep demand in balance with the present value of imports.

Now the present value of retail spending on food may be estimated at £1600 million.³ The present civilian population of the United Kingdom may be taken approximately as 45 million of which 11 million are children under 14. With a 'food expenditure ration' of 12s. 6d. per week for an adult and 8s. for a child under 14 we obtain a total expenditure on food of £1330 million, which represents a reduction of over £250 million as compared with the estimate of the present (civilian) food consumption.

Thus, taking the above estimates for what they are worth, 12s. 6d. per week per adult and 8s. per child is the level of 'food expenditure ration' necessary to keep the demand in balance with the present value of food imports. This is on the assumption that everybody will use his 'ration' fully; if this were not the case the value of the 'ration' might be fixed at a higher level. However, with the arrangement of coupon distribution described in the preceding note it is very likely that use of 'food rations' will be approximately full.

It must be noticed that if the aggregate food expenditure is brought into equilibrium with the value of food imports this still does not solve fully the food problem. Indeed the resulting structure of food consumption may be such as to cause a 'too high' demand in terms of shipping space. However, specific rationing of important items will probably suffice in general to attain the balance from this point of view.

M. KALECKI.

¹ Imports and food consumption in the first half of 1940 seem to have been more or less in balance.

² If the rise in the retail cost of food was higher than indicated by the Ministry of Labour whose index was used in the calculation this amount is partly accounted for by 'excessive' increases in prices.

³ According to Mr. Feaveryear retail expenditure on food in 1937 was £1,360 million. The Bank of England index of the value of retail food sales shows in 1940 a rise as compared with 1937 of 11%. We thus may estimate the value of retail food expenditure in 1940 at £1,510 million. It follows further from my estimates (BULLETIN, Vol. 3, No. 4, p. 65) that the present 'real' value of retail food expenditure differs little from that in 1940. Since retail food prices are now according to the Ministry of Labour about 4% higher than the average of 1940 we may estimate the present retail food expenditure at about £1,600 million. (This amount does *not* include the consumption of soldiers.)

DIARY

FINANCE

The position in the Budget deficit financing in the last months is shown by the Table below. The February deficit shows a strong fall owing to income tax payments. This is also the reason for the fall in Bank deposits. Government borrowing through the usual channels was, however, relatively heavy because funds were necessary for repayment of 1% Treasury Bonds 1941.

GOVERNMENT BORROWING (+) OR REPAYMENT (-) £Mn. ¹					November	December Jan. Av.	February
Tap Bills + Ways and Means Advances	...	...	...	...	+ 89	+ 61	+ 98
Tender Bills	...	...	...	...	+ 4	0	0
Treasury Deposit Receipts	...	...	...	...	+ 60	+ 54	- 11
Floating Debt	...	...	...	...	+ 153	+ 115	+ 87
2½% National War Bonds + 3% Saving Bonds	...	...	...	...	+ 74	+ 75	+ 77
National Savings Certificates + 3% Defence Bonds	...	...	...	...	+ 33	+ 30	+ 29
1% Treasury Bonds 1941	...	...	...	...	-	-	- 99
Other Items	...	...	...	...	+ 1	+ 2	+ 1
Total Borrowing or Repayment	...	...	...	...	+ 261	+ 222	+ 95
CHANGES IN CLEARING BANKS							
LIABILITIES AND ASSETS £Mn.							
Deposits net of Balances with other Banks, etc.	...	...	...	...	+ 50	+ 31	- 53
Cash Basis	...	...	...	...	+ 15	- 3	+ 4
Bills and Call Money	...	...	...	...	- 32	- 40	- 62
Treasury Deposit Receipts	...	...	...	...	+ 57	+ 52	- 11
Investments	...	...	...	...	+ 20	+ 29	+ 25
Advances	...	...	...	...	- 10	- 7	- 9

THE CONCENTRATION SCHEME

More details of the Government's proposals for the concentration of output have been revealed in a Board of Trade Memorandum, and in the Parliamentary debate. The Board of Trade will indicate the degree of concentration required in every industry and in certain regions, and also suggest procedure for obtaining it; but it is left to the individual firms to initiate the change in industrial structure. This method is expected to be the speediest and most flexible for bringing about the desired readjustment. The selection of nucleus firms by the Government itself or the preparation of concentration schemes by trade associations has been regarded as impracticable.

Nucleus firms must make their own financial arrangements to

¹ The official figures are published at 4 and 5 weeks' intervals; the figures given in the table are reduced roughly to the monthly basis.

compensate shut firms and also make provision for keeping the plant of the displaced firms intact. General instructions are also given as to the type of labour to be released and the timing of the displacement process.

The general scheme, though accepted in principle, has been criticised in detail. There is a widespread impression that the method of individual agreements between firms is biasing the scheme in favour of the big and financially strong firms. Although the Government has given a pledge to assist and safeguard small firms it is felt that the emergency may force many of them into amalgamations with financially stronger firms on unfavourable terms. No special machinery (apart perhaps from general considerations of distributing bombing risk and of regional differentiation) is provided to prevent such tendencies which are likely to render the change over from war to peace more difficult. For small firms are likely to readjust themselves more quickly to changed conditions than big firms.

Even if the closed firms continue to market their share of the product with their own skeleton sales staff and if their plant is kept intact, arrangements between individual firms may prove to be difficult of adaptation if further cuts in output requiring a greater degree of concentration become necessary. Most, if not all, the individual agreements would have to be reviewed in that case while a solution on an industrial basis could settle these questions in advance. Moreover, private initiative and financial criteria of concentration do not necessarily secure optimum technical efficiency.

It is interesting that concentration in the Cotton Industry is to be achieved by a procedure which enables a representative body of the industry (consisting of the Cotton Board, the Cotton Controller, the Divisional Controller of the Ministry of Supply and leaders of the spinning and manufacturing section) to suggest a classification of mills into nucleus mills, mills which have to close, and unclassified mills which will continue to run for the time being, to be placed in a definite category later. It is expected that the advice of this representative Committee will be followed, and that individual arrangements between firms will be made accordingly. Such a central selection of nucleus firms or factories has certain advantages as compared with the *laissez-faire* method of individual agreements, if the principle of selection is technical efficiency rather than financial status and if the independence of small firms is efficiently protected. The mere continuation of industrial control to prevent the entry of new firms after the war is a restrictive measure which, though well-meaning, may hamper progress and pave the way for permanent cartels.

The Government's memorandum lays down that nucleus firms must pay compensation to the displaced firms. It may be assumed that at given prices extra profits due to concentration will supply

funds for compensation and also for minimum maintenance cost. If additional funds are deemed necessary they should be supplied by State subsidies. A system of levies, where levies are added to product prices, which seems to be under consideration for the Cotton Industry, would not only strengthen inflationary tendencies but also distribute the burden of plant maintenance in a haphazard way on the consumer, and accelerate the cartellization tendencies after the war. In a more urgent form the compensation problem will arise in the proposed concentration of the retail trade. Here both financial assistance and administrative machinery must be provided by the Government to obtain a rational thinning out of retail shops and protection of the small shops.

ANOTHER LEVY

It has been announced that the recently formed National Wool Textile Export Corporation will be financed by a levy of one tenth of 1 per cent on all wool released through the control to producers. The proceeds of this levy will be £100,000 per annum of which £50,000 will be released at once to enable the organization to start work, the aim of which is to lay the foundation for exports in the future. The main argument against levies for the finance of export companies or for other purposes, e.g., the coal levy, is that the work of these companies (or the compensation of coal producers who have lost their markets) is part and parcel of the national war effort: the administration of the funds should therefore be under public control and financed by the Exchequer. The logical conclusion from the levy principle is that the building of tanks should be financed by a levy on steel for home consumers!

Taken individually each of these levies represents only a small addition to the price for producers, and an even smaller percentage in the retail price for the home consumer.¹ But the number of them is growing and the total indirect taxation² which the levies represent may soon become appreciable. If the companies (and compensation schemes) are to operate this taxation must be borne by the community anyway, but the present method of finance means that the burden is distributed in a haphazard and consequently unjust manner.

¹ It is almost certain that the levy would be regarded by the producer as an addition to cost, and so passed on to the consumer.

² For example, the coal levy, the two levies on raw cotton, and the rayon levy. The successive rises in the price of steel may also be classed as levies since the proceeds are distributed by a central body to firms using a high percentage of imported steel. The Chairman of the Cotton Board has stated recently (March 27th) that, in connection with the Government scheme for the concentration of industry 'the scheme of compensation would also involve not only the paying of levies, but "playing the game" with the shut firms.' The payment of compensation by levy may well be used in other industries coming under the 'concentration' order.

FAMILY ALLOWANCES AND NUTRITION

On March 17th, *The Times* published a letter by Mr. B. Seebohm Rowntree under the heading 'Food Subsidies or Allowances?' Mr. Seebohm Rowntree claims that *from a social viewpoint* it would be preferable to have granted to families below income tax level an allowance of 5s. per week for every child in excess of two, instead of spending annually between £70,000,000 and £80,000,000 on food subsidies. Such a scheme of family allowances would, moreover, have absorbed only about £12,000,000. Mr. Seebohm Rowntree argues that although family allowances of this magnitude would not abolish poverty, they would go a long way towards preventing the proportion of children living in poverty from increasing.

The letter gives no indication whether or no its writer realizes that under the present conditions food subsidies are an *economic* necessity, and that without them the whole system of wage agreements linked to the cost of living index might have to be modified or replaced by something else. Lord Wolmer in his letter on family allowances to *The Times*, March 25th, apparently visualizes some such change. He modifies Mr. Seebohm Rowntree's proposal in so far as to ask that the family allowances should be deducted from the food subsidies, so as not to become an additional charge on the Exchequer. This would obviously affect the cost of living much less than the complete abolition of food subsidies and their replacement by allowances totalling only between one sixth and one seventh of the cost of the former. Mr. Seebohm Rowntree, however, holds the opinion that for the poverty fringe of the population the effect of the rise in prices without the controlling influence of government subsidies could have been more than counteracted by the static allowance of 5s. which he proposes. At present the additional spending power per week of a family of five receiving the allowance would be about 1s., as they benefit from the general food subsidies by approximately 4s. But whether the families in question would actually be better off is somewhat doubtful, as the present food subsidies influence the trend of prices not only directly but also indirectly, through their stabilizing or stimulating effect on production. And as prices rise further the allowance would have to be raised in order to prevent the families' standard of nutrition from declining.

In this context some illustration can be supplied from our analysis of Oxford Public Assistance budgets in May and November 1940. After our budget inquiry in May the Public Assistance rates were raised; the increase amounted for a family with three children to 3s. 3d. per week. In addition, the families with children benefited by the Government milk scheme on the average to the extent of 1s. 5d. per week for a family of five. They thus obtained for the third child an 'allowance' to the value of 4s. 8d., *in addition* to the general

food subsidies. In spite of this their standard of nutrition showed distinct signs of deterioration in November, as compared with May. The analysis of their outlay on foods in October-November indicated that this was partly due to a shortage of certain foods to which these families are accustomed, and to their inability to choose the most suitable and most economical substitutes. It would, indeed, be surprising to find among the poorest section of the population many housewives having the skill and the training to adapt adequately their housekeeping to the continuously changing situation of food supplies. To secure for the neediest families a satisfactory standard of nutrition two things seem at the present time of far greater importance than family allowances in money, namely the provision of free meals to the children at school and the fixing of supplies—prices and rations—so as to make available, as far as possible, to every family a sufficient share in the necessary food.

CHEESE RATIONING

The Ministry of Food has announced that the general rationing of cheese will begin on May 5th, at the rate of 1 oz. a head each week. Miners who work underground and agricultural workers, for whom cheese is considered a staple food, will get 8 oz. a week. Vegetarians, too, will be allowed 8 oz. a week. This inclusion into the rationing system of a staple food is to be welcomed, as it is the only means of distributing it to those who need it most. It is to be hoped that some other foods essential for vegetarians—such as eggs or egg powder, nuts and dried fruit—will from time to time be allotted to them in connexion with the cheese ration. There is now very little left for them in the free market, especially of first class protein foods, while non-vegetarians can still supplement their meat ration by fish and meat preserves.